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THE WOOL SITUATION

Summary

The domestic wool situation has not changed materially in the past month, the Bureau of Agricultural Economics reports. Sales of raw wool in the Boston market remained small in December and prices declined slightly. The decline in prices in the domestic market was accompanied by declines in foreign markets, and the spread between Boston and London prices showed little change.

The weekly average rate of mill consumption of apparel wool in November was about 20 percent higher than in October and was the highest for any month since March 1937. Consumption on a scoured basis for the first 11 months of 1938 was 20 percent smaller than in the same months of 1937. Mill sales of men's wear fabrics for the spring season are reported to be much larger than a year earlier, and mill activity is expected to continue at a relatively high level in the early months of 1939.

In view of the continued improvement in domestic mill consumption it appears quite certain that stocks of raw wool in the United States at the opening of the 1939 season in April will be smaller than a year earlier. A considerable quantity of domestic wool held at the present time is covered by Federal Government loans.

On December 1, apparent supplies of wool in the five principal exporting countries of the Southern Hemisphere were estimated to be about 2 percent smaller than a year earlier and also 2 percent smaller than the December 1 average supplies in the 5 years 1932-36. The relativoly large

carry-over into the current season in the Southern Hemisphere has been offset by the decline in production in Australia and by larger exports.

Mill consumption has improved in some European countries in recent months, and the outlook for disposal of the current clip in the Southern Hemisphere is more favorable than at the beginning of the season.

RECENT DEVELOPMENTS IN DOMESTIC SITUATION

BACKGROUND.- As a result of large imports and reduced mill consumption in 1937, the 1938 domestic wool marketing season opened in April with a much larger carry-over of wool than in the previous season. The average farm price of wool at the opening of the 1938 season was about 45 percent lower than in April 1937. The decline in mill consumption in 1937, however, was greater than the decline in sales of wool goods to consumers, and stocks of manufactured and semi-manufactured wool goods were sharply reduced in the early months of 1938. The Federal Government loan program for wool producers provided an important stabilizing influence on domestic prices in the early months of the 1938 marketing season.

Wool consumption and prices also declined in foreign countries in 1937 and the early months of 1938, but the declines were not so great as in the United States. Since the early summer of 1938 domestic mill consumption of wool has increased materially and domestic prices have advanced moderately, but there has been little recovery in foreign wool prices in this period.

Wool sales and prices

Wool sales in the Boston market were relatively small in December. Quotations on most grades declined slightly during the month. Small quantities of fine Delaine bright fleece wools were sold at 28-31 cents a pound, grease basis, the last week of December compared with 29-31 cents the end of November. Combing length 3/8 blood bright fleece wools were quoted late in December at 31-32 cents grease basis, compared with 32-33 cents a month earlier. Mixed grade country-packed 3/8 and 1/4 blood bright fleece sold readily at about 30 cents a pound in the grease, delivered to Eastern markets, but few lots were offered at this price.

Quotations on graded territory combing wools at Boston in December declined 1 to 2 cents a pound on a scoured basis. Average prices for December were slightly below the November average but were about 10 percent above the low point in June.

The United States average farm price of wool on December 15 was 20.2 cents a pound compared with 20.5 cents on November 15 and 23.6 cents on December 15, 1937.

Wool imports and stocks

United States imports in November of 4.1 million pounds of apparel wool for consumption were smaller than those of October but were slightly larger than imports in November 1937. Imports of such wool in the first 11 months of 1938 were only 26.4 million pounds compared with 147.4 million imported a year earlier and a January-November average of 46 million pounds for the 5 years 1932-36.

Imports of carpet wool for consumption were 58 million pounds in the first 11 months of 1938 compared with 169 million pounds for the same period in 1937. The January-November imports of apparel and carpet wool were the smallest for those months in any recent year except 1932.

Stocks of apparel wool in the United States have been sharply reduced as a result of the large mill consumption and small imports in recent months. But, because of the larger carry-over into the 1938 season and the small consumption in the early months of the year, stocks of wool remaining at the end of November were estimated to have been larger than a year earlier.

A considerable quantity of domestic wool stocks is covered by Federal Government wool loans, which were made available beginning April 15, 1938. The Commodity Credit Corporation states that through December 19 loans had been made on about 77 million pounds of grease wool. To the same date 12 million pounds had been released by repayment of loans.

Production, imports and mill consumption of apparel wool, grease basis, in the United States, specified periods, 1935-38

Year beginning April 1	Production	General imports 1/	Mill consumption
	Million pounds	Million pounds	Million pounds
1935-36	431	83	2/ 673
1936-37	427	164	582
1937-38	433	60	407
Apr.-Nov. 1937	3/ 433	55	312
Apr.-Nov. 1938 preliminary	3/ 435	17	337

Imports from the Bureau of Foreign and Domestic Commerce.
Consumption from the Bureau of the Census.
1/ Weight as reported greasy, scoured and skin wool added together. General imports include wool entered for immediate consumption and entries into bonded warehouses.
2/ Stocks of apparel wool in the United States were large at the beginning of 1935.
3/ Production for entire year.

Mill consumption

The rate of consumption of apparel wool by United States mills in November averaged 5,878,000 pounds, scoured basis, per week. This was about 20 percent higher than that of October and was the highest reported for any month since March 1937. The increase in consumption in November was in contrast to the usual seasonal trend which is downward. Because of the low rate of consumption in the early months of the year, consumption of apparel wool, scoured basis, in the first 11 months of 1938 was 20 percent smaller than in the same months of 1937.

Mill consumption on a grease basis from January through November was equivalent to 349 million pounds of shorn wool and 60 million pounds of pulled wool. The total consumption of pulled and shorn wool in this period was 60 million pounds smaller than consumption in the same months of 1937.

Mill sales of wool fabrics were not large in December, due to seasonal factors in the industry. The bulk of the orders for men's wear fabrics for the spring season was placed before the end of November.

OUTLOOK

In view of the substantial increase in domestic mill consumption in recent months, and the small imports of apparel wool, it was pointed out in the December Wool Situation that the carry-over of wool into the 1939 domestic marketing season probably will be smaller than the carry-over into the current season. But, because of the continued increase in the spread between domestic and foreign wool prices, it was also stated that further advances in prices of domestic wool which might result from the improvement in domestic wool consumption are likely to be limited unless there is some rise in foreign prices in terms of United States dollars.

Developments in the domestic and foreign wool markets in the past month have not altered these conclusions. The slight decline in wool prices in the domestic market in December was accompanied by declines in foreign prices, and the spread between Boston and London prices showed little change.

The outlook for domestic mill consumption in the early months of 1939 continues favorable. Orders for men's wear fabrics for the spring season are much larger than a year earlier. In view of the small stocks of manufactured wool goods and the material increase in consumer purchasing power in recent months, orders for fall season fabrics to be placed within the next few months, also are expected to show a considerable increase over the previous year.

Mill consumption of wool has increased in some European countries in recent months. By December 1, the relatively large carry-over into the 1938-39 season in the Southern Hemisphere had been offset by the smaller production in Australia and an increase in exports. Available supplies in the five Southern Hemisphere countries as of December 1 were smaller than a year earlier and also were smaller than the December 1 average for the 5 years 1932-36. Hence, the outlook for disposal of the 1938-39 clip of the Southern Hemisphere is now more favorable than at the beginning of the season in July.

FOREIGN SITUATION

London auctions

Prices of most wools declined slightly during the final London auctions of 1938 which closed December 7. At the close of the series prices of greasy fleece wools in English currency were about equal to or slightly lower than at the close of the previous series on September 30.

The increase in the exchange value of the English pound in the early part of December, which had the effect of increasing foreign prices in terms of United States dollars, was completely lost by January 3 and the average rate of exchange for December was the lowest for any month since October 1933.

Quotations of London prices in United States dollars reflect changes in the exchange rate of the English pound as well as changes in wool quotations. Monthly average prices in United States dollars for fine and medium grades of wool on a clean cost basis at London in December were the lowest since 1935.

Southern Hemisphere sales

Wool prices in Australia have shown little change since the 1938-39 season opened in September. Although prices were slightly irregular in the latter part of November and early December, sales continued good and prices were reported firm and unchanged when the sales reopened at Sydney after the holidays. On the basis of export statistics from July through November of the current season, sales of Australian wool to all of the principal wool importing countries, except Germany and Italy, have been much larger than in the same months of the previous season. Total disposals of wool from July to November were about 18 percent larger than in the same months of 1937.

The price of Australian 70s warp wool at the Sydney sales in November averaged 45.2 cents a pound clean basis, delivered Bradford, compared with 44.9 cents in October and 57.7 cents in November 1937. Quotations on average quality wools declined slightly in November.

The average price of 70s warp wool at South African selling centers in November was 44.4 cents a pound clean basis, compared with 45.1 cents in October and 53.1 cents in November 1937. A decline of about 1 cent per pound was reported in prices of such wool in the first half of December before the markets closed for the holidays.

Wool prices were firm in New Zealand during December. European countries were the principal buyers and the United States purchased rather extensively.

Sales of South American wools in the current season have been relatively large but prices have declined in recent months, according to commercial sources.

Supplies in Southern Hemisphere December 1

On December 1, apparent supplies 1/ for disposal in the five principal Southern Hemisphere wool exporting countries during the remainder of the 1938-39 selling season were estimated to be about 2 percent smaller than a year earlier and also 2 percent smaller than the average supplies as of December 1 in the 5 years 1932-36.

Exports of wool from Australia, the Union of South Africa and New Zealand in the first 5 months (July through November) of the current season were 18 percent larger than a year earlier, and were 3 percent larger than average exports for those months in the 5 years 1932-36. Exports from Argentina and Uruguay in October and November, the first 2 months of the South American export season, also exceeded those of the previous year as well as the 5-year average.

1/ Carry-over from preceding season plus estimated production, minus exports from beginning of season to end of November.

Wool exports from five Southern Hemisphere countries to November 30 of the 1938-39 season, with comparisons

Country	Period	Average 1932-36	1936	1937	1938 1/
		Million pounds	Million pounds	Million pounds	Million pounds
Australia 2/	July-Nov.	331.7	320.9	295.0	350.5
Union of South Africa 3/	" "	75.7	73.6	57.4	69.1
New Zealand 2/	" "	32.7	32.7	32.0	33.5
Total 3 countries	" "	440.1	427.2	384.4	453.1
Argentina 4/	Oct.-Nov.	31.1	30.6	15.0	43.9
Uruguay	" "	13.2	11.6	2.6	14.6
Total 2 countries	" "	44.3	42.2	17.6	58.5

1/ Preliminary.
2/ Estimates of Dalgety and Company.
3/ Official estimate.
4/ Commercial estimates supplied by the Buenos Aires office of the Bureau.

SUPPLEMENTARY DATA

Table 1.-Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38

Market and description	Average		Dec.	1938		
	1936	1937	1937	Oct.	Nov.	Dec.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing, scoured basis 64s, 70s, 80s (fine)	92.0	101.9	80.9	71.0	72.8	71.9
56s (3/8 blood)	80.4	87.1	64.2	59.6	61.4	59.8
46s (low 1/4 blood)	65.9	72.1	56.0	53.2	55.0	54.2
United States:						
Farm price, 15th of month, grease basis	26.9	32.0	23.6	19.7	20.5	20.2
London: 1/						
Average quality, clean cost 2/:						
70s	58.4	62.1	46.6	40.7	40.2	38.4
56s	35.1	46.3	34.6	30.8	30.4	29.7
46s	23.8	39.5	30.2	27.8	27.5	26.3
Bradford: 3/						
Scoured basis-						
64s warp	59.8	64.7	52.0	43.6	42.7	42.8
50s	29.7	43.2	32.3	27.8	29.1	29.2
Australia:						
Average price at selling centers, grease wool 4/	23.0	24.7	22.0	16.2	17.1	
Sydney (delivered Bradford)						
70s warp, clean basis 5/	6/ 62.9	7/67.5	57.8	44.9	45.2	
Union of South Africa:						
Average export price greasy wool	21.4	25.1	20.1	16.2	17.5	
Price at selling centers, 70s warp, clean cost 8/	7/ 59.2	9/63.2	52.6	45.1	44.4	
Argentina-Buenos Aires						
Coarse crossbred, greasy 10/	11/15.6	12/ 21.7	17.2	---	13.8	
Uruguay-Montevideo						
Crossbred, greasy 13/						
Fine 50/56s-60s	34.2	14/36.6	24.4	---	18.3	
Coarse 32/36s-44s	23.9	14/28.2	19.3	---	16.0	
United States:						
Textile fibers- 15/:						
Wool, territory fine staple	92.0	101.9	80.9	71.0	72.8	71.9
Cotton, 7/8 Middling 16/	11.9	11.2	8.2	8.55	8.65	8.45
Silk, Japanese 13-15 17/	176.6	186.0	157.5	185.4	180.1	180.9
Rayon yarn, 150 denier 18/	58.6	62.2	63.0	51.0	51.0	51.0

Continued-

Table 1.-Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38 - Continued

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Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices except United States farm price which is a weighted average.

1/ Average of quotations for each series of London sales reported by the London office of the Bureau. For months when no sales were held, figures are interpolated.
2/ Top and noil in oil.
3/ Quotations reported about the 25th of the month by the London office of the Bureau.
4/ Reports of the National Council of Wool Selling Brokers.
5/ Monthly averages of weekly quotations from the Wool Record and Textile World, England.
6/ 7-month average. No quotations April to August.
7/ 8-month average. No quotations May to August.
8/ South African Ministry for Agriculture.
9/ 10-month average. No quotations July and August.
10/ Wools of South and Southeast Buenos Aires Province. Revista Quincenal de Precios - Salaberry Bercetche & Cia.
11/ 10-month average. No quotations August and September.
12/ 4-month average. No quotations April to November.
13/ Boletin de Hacienda, Uruguay.
14/ 6-month average. No quotations May to October.
15/ Scoured basis at Boston.
16/ Average at 10 markets.
17/ 78 percent white at New York Bureau of Labor Statistics.
18/ Bureau of Labor Statistics.

Table 2.-United States: Wool imports, consumption and machinery activity, specified periods, 1937-38

Item	Total 1937	Jan.-Nov. 1937	Jan.-Nov. 1938	Nov. 1937	1938 Oct.	1938 Nov.
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight: 1/						
Apparel	150,160	147,380	26,440	3,803	4,777	4,140
Finer than 40s	126,601	124,183	15,692	2,997	2,652	2,714
Not finer than 40s	23,559	23,197	10,748	806	2,125	1,426
Carpet, including camels hair	172,091	168,903	58,259	6,220	10,436	11,963
Consumption, scoured basis: 2/ (Weekly av.)						
Apparel	4,772	4,952	3,956	2,651	4,924	5,878
Carpet	2,023	2,132	1,155	682	1,732	1,918
Aggregate-						
Apparel	248,121	237,699	189,877	10,604	24,619	23,512
Carpet	105,197	102,339	55,444	2,728	8,660	7,716
	Percent	Percent	Percent	Percent	Percent	Percent
Machinery activity: 2/ (40-hour shift)-						
Worsted combs	115.2	119.4	94.1	62.0	115.1	140.9
Worsted spindles	82.2	84.5	61.8	47.7	81.4	99.8
Woolen spindles	107.8	111.8	74.1	55.5	90.9	97.1
Looms, broad	97.2	100.3	66.8	56.2	77.0	88.7
Looms, narrow	51.0	53.1	25.8	27.1	30.7	32.6
Carpet and rug looms	71.3	74.2	45.3	35.7	59.1	60.8

Import figures from official records of the Bureau of Foreign and Domestic Commerce, Consumption and Machinery Activity from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.
2/ Figures for November based on 4 weeks, October on 5 weeks, January to November on 48 weeks. No adjustment made for holidays.

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